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ATTACHMENT A

APPENDIX B
1 of 1
VALENCIA WATER COMPANY

Summary of Earnings
Dollars

	Adopted At Present Rates		Adopted At 2007-08 Rates	Adopted At Authorized Rate of Return	
	2007-2008	2008-2009	2008-2009	2007-2008	2008-2009
Operating Revenues					
Water Service Revenues	18,278,884	18,954,912	21,869,968	21,094,679	21,249,075
Miscellaneous Service Revenues	11,410	11,410	11,410	11,410	11,410
Amortization of Deferred Revenues	75,498	77,990	77,990	75,498	77,990
Total Revenues	18,365,792	19,044,312	21,959,368	21,181,587	21,338,475
Operating Expenses					
Payroll Expense	1,908,770	1,986,777	1,986,777	1,908,770	1,986,777
Purchased Potable Water	3,494,390	3,623,019	3,623,019	3,494,390	3,623,019
Purchased Recycled Water	161,521	162,596	170,857	169,647	170,857
Purchased Power	1,648,674	1,708,619	1,708,619	1,648,674	1,708,619
Operation Labor and Expenses	47,501	48,308	48,308	47,501	48,308
Miscellaneous Source of Supply Expe	2,498	2,540	2,540	2,498	2,540
Maintenance of Wells	109,294	111,152	111,152	109,294	111,152
Maintenance of Pumping Equipment	87,102	88,583	88,583	87,102	88,583
Misc Water Treatment Expenses	146,504	148,994	148,994	146,504	148,994
Chemicals and Filtering Materials	94,096	95,696	95,696	94,096	95,696
Meter Expenses	876	891	891	876	891
Miscellaneous T&D Expenses	89,576	91,099	91,099	89,576	91,099
Maint of Reservoirs and Tanks	45,177	45,945	45,945	45,177	45,945
Maintenance of T&D Mains	237,795	241,838	241,838	237,795	241,838
Maintenance of Services	167,301	170,145	170,145	167,301	170,145
Maintenance of Meters	58,586	59,582	59,582	58,586	59,582
Maintenance of Hydrants	34,280	34,863	34,863	34,280	34,863
Customer Records and Collection	251,999	256,283	256,283	251,999	256,283
Uncollectible Accounts	19,583	19,916	22,854	22,685	22,854
Office Supplies and Other Expenses	410,159	417,132	417,132	410,159	417,132
Property Insurance	794,197	820,473	820,473	794,197	820,473
Injuries and Damages	113,488	115,418	115,418	113,488	115,418
Employee Pensions and Benefits	566,740	576,375	576,375	566,740	576,375
Franchise Requirements	228,216	232,095	276,340	228,216	276,340
Regulatory Commission Expense	105,667	105,667	105,667	105,667	105,667
Outside Services Employed	392,125	398,791	398,791	392,125	398,791
Miscellaneous General Expenses	254,560	258,888	264,740	254,560	264,740
Maintenance of General Plant	109,279	111,137	111,137	109,279	111,137
Administrative Expenses Transferred	-61,524	-62,570	-62,570	-61,524	-62,570
Stores Expenses Clearing	11,904	12,106	12,106	11,904	12,106
Transportation Expense	129,287	131,485	131,485	129,287	131,485
Tools and Work Equipment Clearing	84,030	85,458	85,458	84,030	85,458
Total Operation and Maint Expense	11,743,650	12,099,300	12,160,596	11,754,878	12,160,596
Depreciation Expense	2,509,963	2,504,463	2,504,463	2,509,963	2,504,463
Expense Amortizations	32,703	32,651	32,651	32,703	32,651
Property Taxes	437,435	455,070	455,070	437,435	455,070
Payroll Taxes	139,905	145,890	145,890	139,905	145,890
Current State Income Tax	178,933	203,607	455,879	426,857	400,992
Current Federal Income Tax	679,053	762,385	1,643,070	1,626,428	1,431,966
Deferred Tax Expense	158,242	146,792	146,792	158,242	146,792
Amortization Of Investment Tax Credits	-9,487	-9,487	-9,487	-9,487	-9,487
Total Operating Expense	15,870,397	16,340,670	17,534,923	17,076,924	17,268,932
Net Operating Revenue	2,495,395	2,703,642	4,424,445	4,104,663	4,069,543
Rate Base	38,673,725	38,374,820	38,374,820	38,673,725	38,374,820
Rate of Return, Percent	6.45%	7.05%	11.53%	10.61%	10.60%

APPENDIX E
1 of 1

VALENCIA WATER COMPANY

Income Taxes

	Adopted At Present Rates		Adopted At 2007-08 Rates	Adopted At Authorized Rate of Return	
	2007-2008	2008-2009	2008-2009	2007-2008	2008-2009
STATE INCOME TAXES					
Base Rate Water Service Revenues	18,278,884	18,954,912	21,869,968	21,094,679	21,249,075
Other Water Revenues	11,410	11,410	11,410	11,410	11,410
Total Taxable Revenues, State	18,290,294	18,966,322	21,881,378	21,106,089	21,260,485
Deductions, State					
Operating Expenses	11,743,650	12,099,300	12,160,596	11,754,878	12,160,596
Expense Amortizations	32,703	32,651	32,651	32,703	32,651
Tax Dep'n & Net Salvage Ded, State	3,032,472	3,050,165	3,050,165	3,032,472	3,050,165
Taxes Other than Income	577,340	600,960	600,960	577,340	600,960
Interest Expense	880,000	880,000	880,000	880,000	880,000
Subtotal, Deductions, State	16,266,165	16,663,075	16,724,371	16,277,393	16,724,371
Taxable Income, CCFT	2,024,129	2,303,247	5,157,007	4,828,696	4,536,114
CCFT Rate	8.84%	8.84%	8.84%	8.84%	8.84%
Current California Corp Franchise Tax	178,933	203,607	455,879	426,857	400,992
FEDERAL INCOME TAXES					
Taxable Income, CCFT	2,024,129	2,303,247	5,157,007	4,828,696	4,536,114
Plus Tax Dep'n & Net Salvage Ded, St	3,032,472	3,050,165	3,050,165	3,032,472	3,050,165
Less Tax Dep'n & Net Salvage Ded, Fed	2,866,710	2,909,467	2,909,467	2,866,710	2,909,467
Less Prior Year Current CCFT	173,047	178,933	426,857	173,047	426,857
Less Production Activities Tax Deduction	19,629	22,704	38,291	37,799	38,291
Taxable Income, Federal	1,997,215	2,242,308	4,832,558	4,783,612	4,211,665
Federal Income Tax Rate	34.00%	34.00%	34.00%	34.00%	34.00%
Current Federal Income Taxes	679,053	762,385	1,643,070	1,626,428	1,431,966
Plus Def Tax Exp, Dep'n Timing Diff	158,242	146,792	146,792	158,242	146,792
Amortization Of Investment Tax Credits	-9,487	-9,487	-9,487	-9,487	-9,487
Total Federal Income Tax Expense	827,808	899,690	1,780,375	1,775,183	1,569,271
Current California Corp Franchise Tax	178,933	203,607	455,879	426,857	400,992
Total Income Tax Expense	1,006,741	1,103,297	2,236,254	2,202,040	1,970,263

ATTACHMENT B

ATTACHMENT B

PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

Findings of Fact

[No changes are recommended.]

Conclusions of Law

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9. One hundred three thousand dollars is a necessary and reasonable expense to implement programs BMPs 1 and 2 of the CUWCC.

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ORDER

1. The earnings and rates for test year 2007 calculated in conformance with this decision and set forth in Appendices A-B through D-G are authorized. . . .

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3. ~~Valencia's request for an allowance of \$1.7 million to create~~ Once Valencia has constructed a demonstration water softening plant, as described in the record of this proceeding, and the new plant is operational, Valencia is authorized to file an Advice Letter to include its investment up to \$1.7 million in that plant, as well as associated operation and maintenance expenses up to \$170,000 per year, in its rates is approved.

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10. Valencia may receive an allowance of \$103,000 to recover the costs of implementing the best management practices Best Management Practices 1 and 2 of the California Urban Water Conservation Council.

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13. Valencia is authorized to increase rates charged for water service in order to realize increased annual revenues of \$2,815,7952,402,000 in a Test Year beginning July 1, 2007, and decreased annual revenues of \$620,893, \$708,000 in a Test Year, beginning July 1, 2008, and \$660,000 in an Escalation Year beginning July 1, 2009.

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17. Once Valencia has replaced its billing system and the new billing system is operational, Valenica is authorized to file an Advice Letter to include its investment in that billing system up to \$400,000 in its rates

18. Application 06-07-002 is closed.